

BRIENSBURG
Fire Protection District
AUDIT REPORT
June 30, 2018

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AUDIT REPORT

of the

BRIENSBURG FIRE PROTECTION DISTRICT

For the fiscal year ended

JUNE 30, 2018

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

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MEMBER,
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Briensburg Fire Protection District
P.O. Box 602
Benton, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of the Briensburg Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Briensburg Fire Protection District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Briensburg Fire Protection District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 11, 2019, on my consideration of the Briensburg Fire Protection District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Briensburg Fire Protection District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Briensburg Fire Protection District's internal control over financial reporting and compliance.



Benton, Kentucky
January 11, 2019

**BRIENSBURG FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2018**

Our discussion and analysis of the Briensburg Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally financed by local property taxes and state grants. The governmental activities of the District include general operations of the fire department.

FUND FINANCIAL STATEMENTS. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only a governmental fund, as no other categories of funds apply to it.

In governmental funds the focus is on how money flows into and out of the funds and the balances left at year-end that are available for spending and are normally supported by taxes and intergovernmental revenues. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

BRIENSBURG FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed comparative financial information from the government-wide financial statements follows:

	Net Position for the Period Ending	
	June 30, 2018	June 30, 2017
Current Assets	\$ 1,439,155	\$ 775,038
Noncurrent Assets	<u>1,036,476</u>	<u>777,810</u>
Total Assets	<u>2,475,631</u>	<u>1,552,848</u>
Current Liabilities	157,567	19,147
Noncurrent Liabilities	<u>715,000</u>	<u>0</u>
Total Liabilities	<u>872,567</u>	<u>19,147</u>
Net Investment in Capital Assets	281,476	777,810
Restricted	474,511	0
Unrestricted	<u>847,077</u>	<u>755,891</u>
Total Net Position	<u>\$ 1,603,064</u>	<u>\$ 1,533,701</u>

BRIENSBURG FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 JUNE 30, 2018

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2018, compared to the fiscal year ended June 30, 2017.

	June 30, 2018	June 30, 2017
Program Revenues:		
Operating Grants and Contributions	\$ 350	\$ 0
Capital Grants and Contributions	<u>11,000</u>	<u>11,000</u>
Total Program Revenues	<u>11,350</u>	<u>11,000</u>
General Revenues:		
Property taxes	291,608	296,455
Interest	<u>4,579</u>	<u>1,829</u>
Total General Revenues	<u>296,187</u>	<u>298,284</u>
Total Revenues	<u>307,537</u>	<u>309,284</u>
Expenses:		
Public safety	235,409	232,084
Other debt service	<u>2,765</u>	<u>0</u>
Total Expenses	<u>238,174</u>	<u>232,084</u>
Change in Net Position	69,363	77,200
Beginning Net Position	<u>1,533,701</u>	<u>1,456,501</u>
Ending Net Position	<u>\$ 1,603,064</u>	<u>\$ 1,533,701</u>

Financial highlights for the Briensburg Fire Protection District during the fiscal year ended June 30, 2018 include: (1) District began next phase of renovation and expansion of the Briensburg Station (2) Purchased Air Paks & Bunker Gear (3) Fire call payments to firemen.

The District continued the Briensburg station renovation/expansion spending a total of \$227,130. Total project is estimated to cost approximately \$1.2 million. Completion is expected by end of 2018. \$750,000 of the project is to be financed by a loan/bond issue from the Kentucky Association of Counties (KACO).

The District purchased Air Paks totaling \$15,000 and Bunker Gear for \$16,838.

The District made fire call payments of \$15,552 to firemen.

BRIENSBURG FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2018

MAJOR FUND ANALYSIS

Revenue Recap:

The General Fund receives most of its revenues from property taxes collected (95.3%), followed by State Aid (3.6%), and all other (1.1%).

Expenditure Recap:

The General Fund expends most of its funds on capital outlay (47.7%), building and equipment maintenance (17.8%), board fees and fire fighter pay for training and fire calls (9.9%), insurance (9.3%), telephone and utilities (8.3%), other administrative expenses (2.4%), gas and oil (2.2%), training and travel (1.4%), and supplies (1.0%).

Comments on General Fund Budget Comparison:

The District's actual revenues were \$2,296 above the budget mostly due to conservative budgeting for interest and property taxes. The actual expenditures were approximately \$790,000 under the budget due to budgeting for capital outlay that was not purchased in the current year.

ADDITIONAL NOTES

The financial reports are designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

Questions or comments regarding these financial reports may be directed to Nick Darnell, Treasurer or Weldon Solomon, Chairman of the Board of Directors at: P.O. Box 602, Benton, KY 42025.

BRIENSBURG FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 1,420,028
Receivables:	
Taxes	5,248
Prepaid expenses	13,879
Total Current Assets	1,439,155
 Noncurrent Assets:	
Capital assets	2,808,016
Less: Accumulated depreciation	(1,771,540)
Total Noncurrent Assets	1,036,476
TOTAL ASSETS	\$ 2,475,631
 LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 117,567
Current portion of capital lease payable	40,000
Total Current Liabilities	157,567
 Noncurrent Liabilities:	
Noncurrent portion of capital lease payable	715,000
Total Noncurrent Liabilities	715,000
TOTAL LIABILITIES	\$ 872,567
 NET POSITION:	
Net investment in capital assets	\$ 281,476
Restricted	474,511
Unrestricted	847,077
TOTAL NET POSITION	\$ 1,603,064

See Notes to Financial Statements

BRIENSBURG FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues		Net Expense (Revenue) and Changes in Net Position
	Expenses	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety:				
Fire	\$ 235,409	\$ 350	\$ 11,000	\$ (224,059)
Other debt service	2,765	0	0	(2,765)
Total governmental activities	<u>238,174</u>	<u>350</u>	<u>11,000</u>	<u>(226,824)</u>
Total primary government	<u>\$ 238,174</u>	<u>\$ 350</u>	<u>\$ 11,000</u>	<u>(226,824)</u>
General Revenues:				
Taxes:				
Property				291,608
Interest				4,579
Total general revenues				<u>296,187</u>
Change in net position				69,363
Net Position at July 1, 2017				<u>1,533,701</u>
Net Position at June 30, 2018				<u>\$ 1,603,064</u>

See Notes to Financial Statements

BRIENSBURG FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Construction Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 836,306	\$ 583,722	\$ 1,420,028
Receivables			
Taxes	5,248	0	5,248
Prepaid expenses	13,879	0	13,879
TOTAL ASSETS	\$ 855,433	\$ 583,722	\$ 1,439,155
LIABILITIES AND FUND BALANCE:			
LIABILITIES:			
Accounts payable	\$ 8,356	\$ 109,211	\$ 117,567
TOTAL LIABILITIES	8,356	109,211	117,567
FUND BALANCES:			
Nonspendable	13,879	0	13,879
Restricted for construction	0	474,511	474,511
Unassigned	833,198	0	833,198
TOTAL FUND BALANCES	847,077	474,511	1,321,588
TOTAL LIABILITIES AND FUND BALANCES	\$ 855,433	\$ 583,722	\$ 1,439,155

See Notes to Financial Statements

**BRIENSBURG FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2018

Total fund balance per fund financial statements	\$ 1,321,588
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources but they are reported in the statement of net position	1,036,476
Capital lease obligations and bonds payable are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position	(755,000)
	<hr/>
Net position of governmental activities	<u>\$ 1,603,064</u>

See Notes to Financial Statements

BRIENSBURG FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 291,608	\$ 0	\$ 291,608
State aid	11,000	0	11,000
Donations	350	0	350
Interest	2,988	1,591	4,579
TOTAL REVENUES	<u>305,946</u>	<u>1,591</u>	<u>307,537</u>
EXPENDITURES:			
Current:			
Office Expense	213	0	213
Training & Travel	3,033	0	3,033
Operating Supplies	2,230	0	2,230
Gas & Oil	4,624	0	4,624
Insurance	19,989	0	19,989
Advertising	536	0	536
Telephone & Utilities	17,750	0	17,750
Dues	544	0	544
Vehicle & Equipment Maintenance	30,859	0	30,859
Building & Grounds Maintenance	6,188	0	6,188
Freight & Postage	194	0	194
Meals & Goodwill	1,859	0	1,859
Monitoring fee	1,141	0	1,141
Secretary/Treasurer	2,400	0	2,400
Professional Fees	1,200	0	1,200
Fireman's training sessions/board member fees	18,934	0	18,934
Miscellaneous expense	717	0	717
Debt Service:			
Debt issuance costs	0	2,765	2,765
Capital Outlay:			
Equipment, expansion, upgrade	102,349	279,315	381,664
TOTAL EXPENDITURES	<u>214,760</u>	<u>282,080</u>	<u>496,840</u>
Excess (deficit) of revenues over expenditures before other financing sources (uses)	91,186	(280,489)	(189,303)
OTHER FINANCING SOURCES (USES):			
Proceeds of capital lease payable	0	755,000	755,000
Net change in fund balance	91,186	474,511	565,697
Fund Balance, July 1, 2017	<u>755,891</u>	<u>0</u>	<u>755,891</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ 847,077</u>	<u>\$ 474,511</u>	<u>\$ 1,321,588</u>

See Notes to Financial Statements

BRIENSBURG FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	565,697
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$122,998) is exceeded by capital outlays of \$381,664 in the current period.		258,666
Bond proceeds are reported as other financing sources in the fund financial statement; however, they are reported as liabilities in the statement of net position		<u>(755,000)</u>
Change in net position of governmental activities	\$	<u><u>69,363</u></u>

See Notes to Financial Statements

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Briensburg Fire Protection District was formed in March 1984 as provided in KRS 75.010. The entity is a special purpose governmental entity, and as such is exempt from income tax.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the District's operations include how the budget is adopted, whether debt is secured by general obligation of the District, the District's duty to cover any deficits that may occur and supervision over the accounting functions. Based on this, the primary government of the District includes only the governmental funds of the fire department.

The District does not have any discretely presented component units.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all the activities of the primary government. The statement of activities outlines the direct expenses of the District's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – In fund financial statements, each fund is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. The District reports only two funds, the general fund and the construction fund.

C. Reconciliation of Government-Wide and Fund Financial Statements

The statements include a reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. A similar reconciliation is included in the statements to reflect the transition from the modified accrual basis of accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense and principal payments are not reported as an expense.

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Construction Fund accounts for proceeds of debt and other revenues to be used for authorized construction.

E. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash in demand deposits, savings accounts, and liquid certificates of deposit. The District did not have any investments during the year.

Prepaid Items

Prepaid items include insurance premiums and security system monitoring which cover periods subsequent to June 30, 2018.

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Receivables and Payables

Property tax receivable is shown at the amount collected by county fee officials through June 30, 2018 and remitted to the District thereafter for current taxes. Delinquent taxes are shown in receivables if received within 60 days after year end. Delinquent taxes not received within 60 days after year end are considered to be uncollectible. Property taxes are secured by a lien on the property, but uncollected amounts are fully reserved as of June 30.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. In accordance with provisions of GASB 34, the District is not required to retroactively report infrastructure. Therefore, the District has elected to only report infrastructure additions from July 1, 2003 and forward.

The District's capitalization policy is to recognize capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements, other than buildings	20
Infrastructure	40
Vehicles	10
Computer and related equipment	5
Other equipment	5-7

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position.

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the District had \$474,511 restricted for construction in the Construction Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Trustees. The Board of Trustees must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may assign amounts by majority vote.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the District's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned, then unassigned funds.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Subsequent Events

In preparing for these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through January 11, 2019, the date the financial statements were available to be issued.

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The fire chief submits the budget to the Board of Trustees, which revises and adopts the budget prior to the beginning of the fiscal year. The budget is presented in summary form to minimize necessary amendments; however, it also contains more detailed line item amounts for administrative control. Amendments may be adopted during the year as necessary to comply with KRS 91A.030.

B. Budgetary Comparison of Expenditures and Revenues

For the year ended June 30, 2018, expenditures were less than appropriations in the general fund by \$790,390, mainly due to capital outlay being included in the budget, but not yet incurred. Revenues were \$2,296 more than budgeted, mainly due to income from taxes and interest being more than anticipated.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District's investment policies are to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and regulations governing the investment of public funds.

Deposits

At year-end, the carrying amounts of the District's deposits were \$1,420,028 and the bank balances of the District's deposits were \$1,421,232. Of the bank balances, \$833,722 was covered by federal depository insurance and the remainder was collateralized by securities pledged in the name of the District.

NOTE 4 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property, plus tangible personal property that is located within the District's boundaries. All property taxes are levied as of July 1 based on the assessment values as of the previous January 1. Property taxes are due within 60 days after mailing by the sheriff's office. After that date, a penalty is imposed.

Assessed values are established by the County Property Valuation Administrator at 100% of appraised market value. The District's tax rate applicable to the 2018 fiscal year was \$.10 per \$100 of assessed valuation for real estate and tangible personal property.

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Historical Cost:				
Land	\$ 18,032	\$ 0	\$ 0	\$ 18,032
Land improvements	23,044	0	0	23,044
Building and improvements	702,818	0	0	702,818
Vehicles and equipment	1,638,675	36,905	0	1,675,580
Construction in progress	<u>43,783</u>	<u>344,759</u>	<u>0</u>	<u>388,542</u>
Total	<u>2,426,352</u>	<u>381,664</u>	<u>0</u>	<u>2,808,016</u>
Accumulated depreciation:				
Land improvements	12,268	952	0	13,220
Building and improvements	390,341	23,623	0	413,964
Vehicles and equipment	<u>1,245,933</u>	<u>98,423</u>	<u>0</u>	<u>1,344,356</u>
Total	<u>1,648,542</u>	<u>122,998</u>	<u>0</u>	<u>1,771,540</u>
Capital Assets, Net	<u>\$ 777,810</u>	<u>\$ 258,666</u>	<u>\$ 0</u>	<u>\$ 1,036,476</u>

Depreciation expense was charged to the governmental functions as follows:

Public safety-fire department	\$122,998
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The amount interest incurred during the year was \$9,334 and the amount thereof that has been capitalized was \$9,334.

NOTE 6 - LONG-TERM LIABILITIES

On March 29, 2018, the District entered into a capital lease agreement with the Kentucky Association of Counties Finance Corporation (KACO) to finance renovation and additions to the Briensburg fire station building. The lease carries interest rates that range from 3.0% to 4.0% and has a final maturity date of February 1, 2033. The lease grants a security interest to KACO in any and all right, title and interest in the property purchased with the proceeds.

Changes during the fiscal year 2018 and balances as of June 30, 2018, including the current portions, of the District were as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease obligations:					
KACO	\$ 0	\$ 755,000	\$ 0	\$ 755,000	\$ 40,000
Total	<u>\$ 0</u>	<u>\$ 755,000</u>	<u>\$ 0</u>	<u>\$ 755,000</u>	<u>\$ 40,000</u>

BRIENSBURG FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
 JUNE 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended June 30	Fees	Interest	Principal	Total
2019	\$ 1,988	\$ 26,770	\$ 40,000	\$ 68,758
2020	2,213	25,170	40,000	67,383
2021	2,112	23,570	40,000	65,682
2022	2,013	21,870	45,000	68,883
2023	1,900	20,070	45,000	66,970
2024-2028	7,737	71,925	250,000	329,662
2029-2033	4,400	26,134	295,000	325,534
	<u>\$ 22,363</u>	<u>\$ 215,509</u>	<u>\$ 755,000</u>	<u>\$ 992,872</u>

NOTE 7 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for coverage for these risks. Coverage consists of \$3,000,000 aggregate general liability. Coverage for property risk is \$36,884 for personal property and \$1,529,467 for real property. The District also carries commercial auto liability coverage in the amount of \$1,000,000 and all vehicles carry coverage for physical damage at agreed value, actual cash value, or cost of repairs, whichever is less. The District also has a blanket bond for \$200,000 on the treasurer and a commercial umbrella policy with coverage of \$4,000,000 general aggregate liability. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

NOTE 9 - COMMITMENTS

In February 2018, the Board accepted bids for renovations and additions to the Briensburg station. Upon receiving approval of the capital lease agreement with KACO in April 2018, the bid was awarded for \$1,028,262. As of June 30, 2018, the amount that had been completed and billed to the District was \$279,315. This leaves \$748,947 to be completed, which will be paid in the subsequent fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRIENSBURG FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 290,250	\$ 290,250	\$ 291,608	\$ 1,358
State aid	11,000	11,000	11,000	0
Donations	1,500	1,500	350	(1,150)
Interest	900	900	2,988	2,088
TOTAL REVENUES	<u>303,650</u>	<u>303,650</u>	<u>305,946</u>	<u>2,296</u>
EXPENDITURES:				
Current:				
Office Expense	2,000	2,000	213	1,787
Training & Travel	6,000	6,000	3,033	2,967
Operating Supplies	3,500	3,500	2,230	1,270
Gas & Oil	5,000	5,000	4,624	376
Insurance	22,000	22,000	19,989	2,011
Advertising	750	750	536	214
Telephone & Utilities	19,800	19,800	17,750	2,050
Dues	300	300	544	(244)
Vehicle and Equipment Maintenance	7,500	7,500	30,859	(23,359)
Building & Grounds Maintenance	30,000	30,000	6,188	23,812
Freight & Postage	400	400	194	206
Meals & Goodwill	2,000	2,000	1,859	141
Monitoring fee	0	0	1,141	(1,141)
Secretary/Treasurer	2,400	2,400	2,400	0
Professional Fees	1,500	1,500	1,200	300
Fireman's training sessions/board member fees	22,000	22,000	18,934	3,066
Miscellaneous expense	3,000	3,000	717	2,283
Capital Outlay:				
Equipment, expansion, upgrade	877,000	877,000	102,349	774,651
TOTAL EXPENDITURES	<u>1,005,150</u>	<u>1,005,150</u>	<u>214,760</u>	<u>790,390</u>
Excess (deficit) of revenues over expenditures before other financing sources (uses)	(701,500)	(701,500)	91,186	792,686
OTHER FINANCING SOURCES (USES):				
Proceeds of loan for building renovations	150,000	150,000	0	(150,000)
Net change in fund balance	(551,500)	(551,500)	91,186	642,686
Fund Balance, July 1, 2017	750,000	750,000	755,891	5,891
FUND BALANCE, JUNE 30, 2018	<u><u>\$ 198,500</u></u>	<u><u>\$ 198,500</u></u>	<u><u>\$ 847,077</u></u>	<u><u>\$ 648,577</u></u>

See Notes to Financial Statements

ADDITIONAL REPORTS

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KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

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American Institute
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MEMBER,
Kentucky Society
of CPA's

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Briensburg Fire Protection District
P.O. Box 602
Benton, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Briensburg Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Briensburg Fire Protection District's basic financial statements, and have issued my report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Briensburg Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Briensburg Fire Protection District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Briensburg Fire Protection District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Briensburg Fire Protection District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Benton, Kentucky
January 11, 2019